

Few Turn Out, However

Discounters Plug Home Center Show

DALLAS—Twenty thousand people turned out for the annual home center show held here early this month, but discounters were barely visible in the crowd.

Although tool, paint and sundries, plumbing and electrical vendors rented more booth space than ever before, discounters still think of the show as too building-material oriented for their needs.

However, among the dozen or so discounters that did come out the reactions were more than favorable.

"It's a show that gets better every year," said a spokesman for Gold Circle who said he attended the show each year to keep abreast of what's happening in home improvements.

"It was a good working show," reported Rick Giordano, buyer, Fisher's Big Wheel, New Castle, Pa. "It gave us a chance to take care of any problems we had with our vendors."

Giordano and the other discounters who went to Dallas agreed that the home center show would never replace the giant hardware show in Chicago. However, they all pointed out that the slower pace of the former gave them a chance to stop in at the booths of the smaller vendors they never have time to see in Chicago.

"The more hard lines vendors they get," predicted Giordano, "the bigger the following they'll get."

"It was an excellent show," assessed Larry Shapiro, division merchandise manager, Gold Triangle, Hialeah, Fla. Shapiro found the show essential to his chain's business, because the hardware show was becoming too "nuts and bolts oriented."

"This show gives me a chance to look over the big-ticket do-it-yourself products, like kitchen cabinets."

The one single complaint about the show was the absence of new products. Some discounters felt that manufacturers tended to wait until the hardware show to offer new items. Others felt that the rapid growth of the do-it-yourself business over the past five years had finally caught up with the industry.

Buyers at T.G. & Y. and Wal-Mart were among those disappointed at the lack of new products—although their opinion of the show remained high.

Other discounters in attendance were from Hills, Woolco, FedMart and K mart. K mart's buyers were said to have toured the show early Sunday morning (minus identifying badges) and then disappeared.



Only a handful of discount store merchants turned out for the annual home center show which drew 20,000 people to Dallas earlier this month. (DSN photo)

End of Minimum Pricing For Booze Due in N.J.

TRENTON—Barring further court intervention, minimum pricing of alcoholic beverages is due to end this month.

Minimum wholesale and retail prices, opposed by consumer groups and state agencies, but strongly supported by distributors and most retailers, were struck down by the State Supreme Court last month. The court, however, stayed enforcement of its decision until March 11 to allow minimum price supporters time to file for a rehearing or to appeal to the United States Supreme Court.

In addition, legislators in the State Senate and Assembly have filed bills to reinstitute minimum prices through at

least Feb. 1, 1981. The bills are considered not likely to be enacted and would face a probable veto from Gov. Brendan Byrne, who has supported price deregulation.

While discounters have been active in the past in opposing similar "fair trade" minimum pricing, they have not been a major factor in fighting New Jersey liquor pricing regulations. The reason is that discounters currently own few licensed beer, wine and spirits departments. Only Two Guys—with nine alcoholic beverage licenses throughout the state—owns liquor departments while a handful of others in discount stores are run by lessees.

In This Issue...

PICTURE THIS. Technological improvements expected to appear in photographic equipment in the 1980's will help discounters increase their share of the big-ticket camera category even more, merchandisers anticipate. Last year, consumers spent more than \$2 billion on photo equipment in discount store photo departments. The full picture is explored in the Photo Show Section. (p. 19)

INFO MANAGEMENT. Unless information is disseminated efficiently, its usefulness to retail management is very limited. The DSN/Touche Ross Discounter Management Development Series in this issue outlines how to gather, process and distribute reliable information needed to plan business strategy. (p. 45)

USING THE TUBE. In a survey of the top 20 markets, retailers, including discounters, are found to have increased their commitment to co-op television advertising. While the number of retailers broadcasting their commercials has increased dramatically, discounters ranked eighth in their purchases of air time, showing a 10% increase in TV expenditures. (p. 17)

FIELD NARROWS. Consolidation is the trend among catalog showrooms. Fewer chains are expected to be operating in the future, but the survivors will be stronger than ever competitively. A smaller number of chains are taking an ever-larger share of the total showroom business. A complete examination of the industry is in the Catalog Showroom Census. (p. 39)

HIDDEN CRIME. The age of computers may make more information available to discounters than ever, but embezzlement and other frauds are still far too prevalent. Bob Curtis cautions executives against becoming complacent because record-keeping seems so easy. (p. 31)

Sam Walton Shortens Leave; Back in Saddle by April 1

BENTONVILLE, Ark.—Although Sam Walton announced last November that he was taking a two-to-four-month leave of absence, it turned out that Wal-Mart's founder couldn't stay away for long.

"He's been around most of the time," said counsel Robson Walton. "He has taken some time off, but not as much as he intended."

At the time Sam Walton announced plans to take time off, industry observers pointed out that the chairman was trying to show Wall Street and the outside world that Wal-Mart could run without him—that he had built a line of succession. Most agreed that Sam Walton had no plans to retire.

The chairman is taking several weeks vacation during March but is expected to be "back in full steam" by April 1, according to Robson Walton.

Spotlight on: Sample-Sell Display

Clothing Care Comes Out Of the Closet

The sample-sell display used by catalog showrooms readily lends itself to grouping items to create a mini-section showing all the merchandise in classification.

Clothing care is a case in point. Service Merchandise, Woodbridge, N.J., uses 16 running feet on a gondola side to create a clothing-care category by combining irons and ironing boards, the two key products, along with ironing board covers, sewing machines, sewing baskets and scissors.

The area shows 42 sku's, while the same merchandise in the catalog is spread among three-and-a-half pages, one showing the scissors and sewing baskets, a half-page for the sewing machines, and two pages for the irons, ironing boards and covers. (See catalog showroom census section, starting p. 39, for update on the industry.) (DSN photo)



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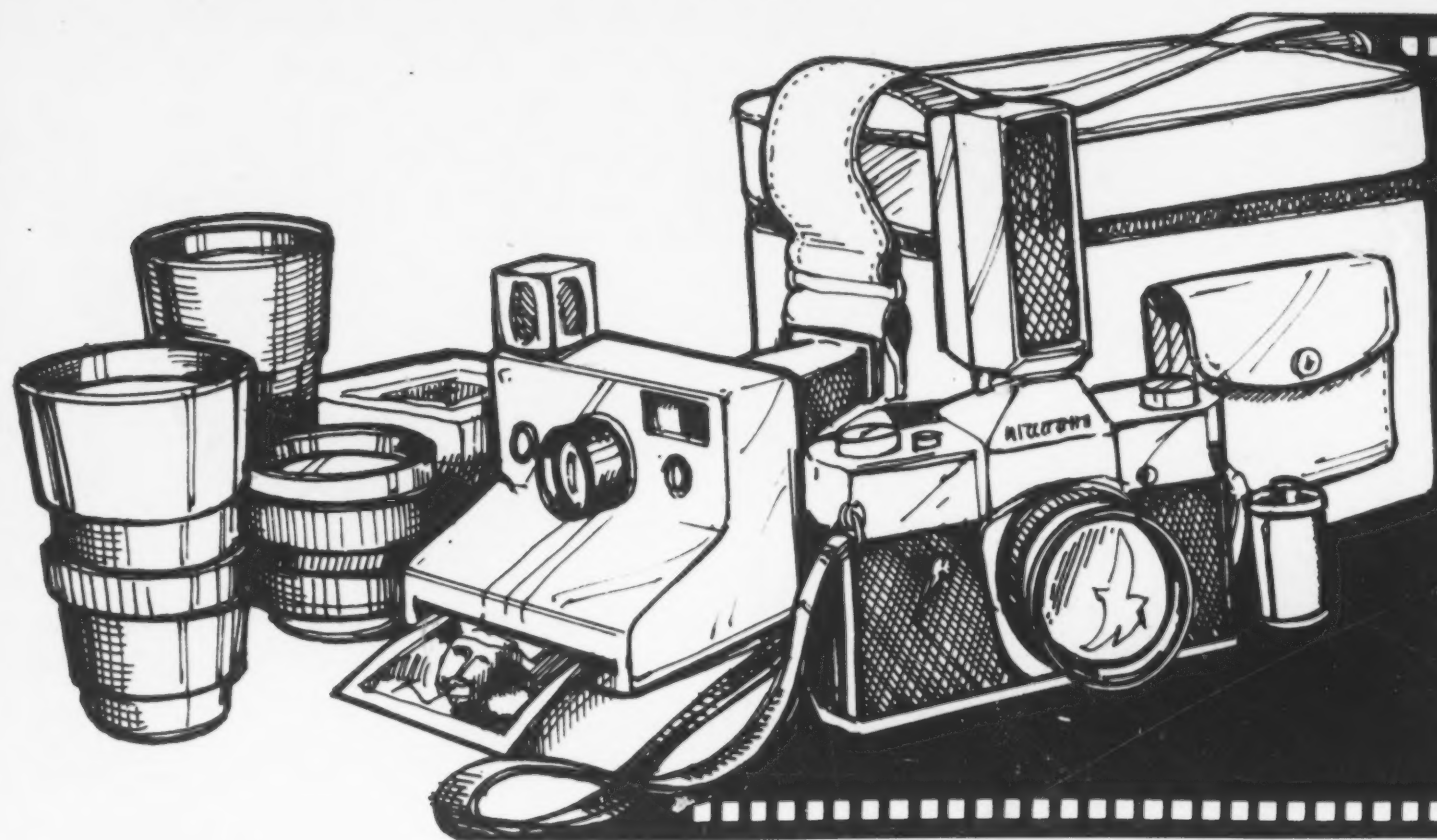


PHOTO SHOW SECTION

More Big-ticket Muscle to Crank Up Photo Biz

Nationwide DSN Report

Photo departments were good to discounters in the 70's.

As the DSN 10-year survey shows, in 1970 only 63% of the country's discount operations operated their own photography departments.

By 1979, discounters who realized the traffic pulling ability of the category were operating 91% of the departments.

And despite the intense competition in the field—particularly from

catalog showrooms which doubled their market share in the late 70's—discounters found the category profitable. In 1974, each square foot in a discount store photography department (which averaged 756 sq. ft.) generated \$210 in sales. By 1979, a slightly smaller department (670 sq. ft.) was contributing \$452 per square foot to store sales.

Looking ahead to the 80's, discounters say they expect new rounds of technological advances (more automated features) to make it easier for them to sell the big-ticket camera with minimally experienced sales staffs.

Instant and pocket cameras will continue to divide the lion's share of department sales (with 35mm's making a stronger showing each year). Buyers were a little disappointed with the inability of this year's new products (Kodak's Ektralite line, for example) to shake up departments the way Kodak did with its instant camera.

Thirty-five-millimeter cameras continue to grow in popularity both among consumers and discounters. But few discounters report carrying models that retail for more than \$300—and most keep price points in the \$200 range. Two Guys is one of the few discounters carrying a full line of 35mm cameras, including 15 sku's of single lens reflex models.

Future profitability, of course, is harder to predict.

Some discounters fear that renewed gasoline rationing will kill vacation travel and the picture taking it inspires. Others reason that inflation will erode discretionary in-



Instant cameras, long a discount store staple, remain an active ingredient in the photo department mix. T.G. & Y., Oklahoma City, keeps a full stock of instants on the sales floor. (DSN photo)

comes so badly that consumers will eventually give up nonessential purchasing.

In the meantime, however, sales in the category remain strong and profitable, despite the highly competitive nature of the merchandise.

According to DSN's annual census, in 1979 \$2.2 billion in sales were rung up in discount store photo departments, accounting for 4% of total industry volume. This was a 16% increase in volume over the year before. Department sales on a per-store basis increased by 10% to \$302,780.

The photo department's ability to

draw customers—particularly with low-cost photo finishing—to some extent offsets discounters' concern about stocking products with such a low dollar return per unit. (Last year, overall department margins averaged 17%, although photo-finishing margins hovered at the 30% mark.)

To further protect the bottom line, discounters are putting more accessories—camera bags, tripods, straps and gadgets—on their shelves. Hardware accessories, however, like lenses and flash attachments, are often as footballed as

(Continued on page 23)

Outlook For 1980: Price Increases, More Accessories

The 1980 outlook for camera and photo includes:

- Higher retail prices on film and photo finishing as manufacturers pass along recent surges in material (particularly silver) and labor costs.
- Stepped-up consumer and discounter interest in 35mm cameras, particularly single lens reflex cameras (SLR's) as manufacturers continue to presell the TV viewing audience with heavy ad schedules.
- Increased stocking of profitable camera accessories—gadget bags, straps, lenses, flashes and the like—for bottom-line protection.



While catalogers like Service Merchandise, Fishkill, N.Y., have increased their selection of accessories to boost margins, discounters suspect that recent price hikes will force showrooms to alter their giveaway price strategies. (DSN photo)

Discounters Top \$2 Billion in '79, Up 16%; Use of Lessees Down Sharply in Decade

Last year, discounters' photo department sales topped \$2 billion—a 16% increase over the previous year—evidence that the decision by 91% of the country's discounters to own and operate their own departments was paying off. In 1970, only 63% of the chains were running their own photo departments.

While department turns and margins have remained fairly constant over the past decade,

sales per square foot have more than doubled. Dealers attribute this improvement to the addition of more sku's of high-profit accessories and to increased consumer demand for photo finishing which carries margins of about 30%. This improved performance coincides with a shrinking sales floor. Discounters decreased their spatial commitment to the category by more than 20% over the last 10 years.

	1970	1974	1975	1976	1977	1978	1979	10-year change	5-year change	'78 vs. '79
Dept. Size (sq. ft.)	850	756	985	765	710	660	670	-21.2%	-11.4%	+1.5%
Annual Turns	3.2	3.5	5.2	3.5	3.7	3.7	3.6	+12.5%	+2.9%	-2.7%
Volume per sq. ft.	—	\$210	\$245	\$337	\$368	\$417	\$452	—	+115.2%	+8.4%
Initial Markup	22%	23%	25%	23%	23%	23%	23%	+4.5%	NC	NC
Gross Margin	21%	18%	21%	18%	18%	17%	17%	-19.0%	-5.6%	NC
Company Run	63%	86%	85%	90%	91%	91%	91%	+44.4%	+5.8%	NC

NC-no charge

Source: DSN Research

Catalog Showroom Census

Biggies to Get Fatter as Number of Operators Slims

By Arthur Markowitz
There's going to be fewer catalogers, but stronger ones. The net result is that the industry will continue to show strong growth, hitting \$8 billion this year, up about 15% from \$7 billion last year, according to DSN estimates.

The top three dozen chains—those with \$16 million and over in volume—will account for an estimated \$4.7 billion, or about 59% of the volume.

DSN last year tracked 27 catalogers with \$16 million and over in sales and they accounted for \$3.8 billion or just over 54% of the industry's total volume.

A sharper indicator of the trend toward the top chains capturing a greater share of the industry's volume can be seen in a comparison of the sales of the six leading catalogers. DSN estimated they will do \$3.2 billion in their current fiscal year, up 13.5% from an estimated \$2.7 billion.

The contraction under way in the industry includes about a dozen Dahnken franchisee members closing down shop, joining about another two dozen small companies that have either shut their doors or

reverted to their jewelry store or tobacco distributor roots.

Corr-Williams, a privately held tobacco distributor that had seven small showrooms in Mississippi and Louisiana before cutting back to just one, exemplifies the contraction.

One executive explained: "We were too small and we faced too strong competition; H. J. Wilson just overwhelmed us."

He asserted that "our catalog prices averaged 5%-10% less than Wilson, but we couldn't carry \$1 million in inventory in our 2,500-sq.-ft. units as Wilson did in its larger showrooms."

Wilson, he added, "got there first with the larger showrooms; we could have switched to larger units if we had several million dollars, but we don't."

Wilson is No. 4 among catalogers in volume. But the stronger cataloger doesn't have to be as large as Wilson to impact smaller chains.

Two-unit Key Distributing plans to open in North Huntingdon, Pa., to get out of the highly competitive Pittsburgh market where it has one showroom that has to face Basco, David Weis, J. Dalhkemper, Catalog Discount Sales, and Towers, chains

whose volume ranges from \$100 million down to \$16 million.

Getting out of the business is one way the catalog industry is contracting. The other method that could spread is acquisition of smaller chains. (Modern Merchandising bought Dolgin's and Leeds in the last two years and Service Merchandise took over Value House in 1978.)

While catalog executives agreed that acquisitions were a quick way to grow and get into new markets, no one expected to see any major takeovers this year.

A Best executive asserted: "The

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More Chains Meet Competition With Different-Price Editions

Nationwide DSN Report
Catalogers are stepping up their use of differently priced versions of their main book, as competition among them heightens, and a growing number of chains open showrooms in the same markets.

The catalogers already using different priced editions include the industry's top five chains—Service Merchandise, Best, Modern Merchandising, H. J. Wilson, and Ar-

dan—along with Consumers Distributing, Naum and Century House.

Most of the catalogers declined to discuss the fact that they issue different editions of their book because they don't want their competition to know this, nor do they want competitors to get copies of the various versions to check out their pricing program.

But the Big Three—Best, Service

and Modern—have readily acknowledged that they use different editions, with the markets served by each version easily identified in the case of Best and Modern.

Executives of the three chains each cited competition as the reason for using different editions. A Best executive explained that the different editions "give us margin flexibility to meet competition by allow-

(Continued on page 44)

36 Top Catalogers to Do \$4.7 Billion in Sales for Year, Up 19.5%

Chain (and its coordinator)	Showroom \$ biz [millions]		\$ Net [millions] last fiscal year	Showrooms			
	Estimated current fiscal year	Last completed fiscal year		As of Jan. 1, 1980	As of July 1, 1980	As of Dec. 31, 1980	To open in 1981
Service Merchandise (Tenn.) (Independent)	900	729.0	N.A.	101	103	115	16
Best (Va.) (Creative)	840	699.2	26.6	74	79	87	15
Modern Merchandising (Minn.) (Creative)	760	650.0	N.A.	72	73	79	12
H. J. Wilson (La.) (Independent)	315	255.0	N.A.	46	48	55	9
Arden (Iowa) (Creative)	220	180.0	N.A.	44	44	60	N.A.
Jewelcor (Pa.) (Jewelcor)	185	168.0	N.A.	31	31	32	3
Consumers Distributing (N.J.) (Independent)	185	150.0	N.A.	87	90	100	20
Century House (N.Y.) (Independent)	135	110.0	N.A.	58	60	65	5
Basco (Pa.) (Creative)	100	81.9	0.7	12	12	14	3
Sam Solomon (S.C.) (MAI)	100	88.2	N.A.	11	11	11	3
W. Bell (Md.) (Independent)	98	79.5	1.8	12	12	13	2
Naum (N.Y.) (Creative)	80	70.0	N.A.	17	18	22	N.A.
L. Luria (Fla.) (Mutual)	75	54.4	2.7	16	16	19	3
McDade & Co. (Ill.) (MAI)	60	50.0	N.A.	6	6	7	1
Ellman's (Ga.) (Independent)	56	50.7	1.3	6	6	7	N.A.
David Weis (Pa.) (MAI)	50	45.0	N.A.	13	13	13	2
State Wholesale (Ohio) (MAI)	40	37.0	N.A.	7	7	8	2
Masters Mdsng. Mart (Fla.) (Creative)	38	28.0	N.A.	19	21	26	4

Chain (and its coordinator)	Showroom \$ biz [millions]		\$ Net [millions] last fiscal year	Showrooms			
	Estimated current fiscal year	Last completed fiscal year		As of Jan. 1, 1980	As of July 1, 1980	As of Dec. 31, 1980	To open in 1981
Brendle's (N.C.) (MAI)	35	30.0	N.A.	11	12	13	N.A.
Boardman's (N.Y.) (Independent)	34	31.0	N.A.	15	16	16	N.A.
MacDonald (Ohio) (MAI)	32	30.0	N.A.	9	9	11	2
O. G. Wilson (Tex.) (Paul Schultz)	31	29.0	N.A.	13	13	15	3
Towers (N.J.) (Creative)	30	23.0	N.A.	7	7	9	3
A. J. Foland (Mich.) (American)	26	25.0	N.A.	4	4	5	1
Golbro (Ala.) (Charter)	25	20.0	N.A.	4	4	4	1
Tepe (Mich.) (Creative)	24	21.0	N.A.	8	8	8	N.A.
Grand Distributing (N.J.) (Schultz)	21	20.0	N.A.	7	7	7	0
Brand Name (N.Y.) (Independent)	20	18.0	N.A.	10	11	11	N.A.
J. Dalhkemper (Pa.) (Creative)	20	16.0	N.A.	5	5	5	2
Hartman's (Calif.) (Independent)	20	18.0	N.A.	9	10	11	2
Key Distributing (Ga.) (Creative)	20	18.0	N.A.	7	7	8	1
Present (N.Y.) (MAI)	19	17.0	0.09	9	9	9	1
R&R (Mass.) (American)	17	15.0	N.A.	6	6	6	N.A.
Alexander (S.C.) (Charter)	16	14.0	N.A.	5	5	5	N.A.
Catalog Discount Sales (Ohio) (Jewelcor)	16	14.0	N.A.	5	5	6	1
Fred Gattas (Tenn.) (MAI)	16	14.0	N.A.	4	4	5	N.A.

(Some figures are DSN estimates)

N.A.—Not available

Catalog Showroom Census

Coordinators' Membership Fairly Stable Despite Two Major Switches

Nationwide DSN Report

The dissolution of the approximately 50-member Dahnken franchise group has resulted in a major switch of showroom operators in what is otherwise expected to be a

fairly stable membership year for catalog coordinators.

Another major change was the decision of Associated Catalog Merchandisers to use a special edition of the Jewelcor group's book, rather than pub-

lish its own catalog for its 65 members.

Other switches have involved one or two members leaving one group to join another. The number of showroom operators moving around has been low. However, a top executive of one coordinator asserted that the changes involve a lot of business as Creative Merchandising gained one member while Merchandisers' Association Inc., gained two.

These two coordinators are the leading groups in the industry, publishing large catalog geared for high-volume showrooms.

The fairly stable membership parallels the stable merchandising planned by coordinators as they seek to hold down changes in sku's and thereby enable members to better project their inventory costs.

Getting a handle on inventory costs has become a prime objective among showroom operators; they faced interest costs bucking 19%-20% at presstime.

The merchandise lines being augmented by catalogers include modular furniture, hardware and automotive.

A Creative Merchandising spokesman noted that some members had reported strong sales for modular furniture. An executive with State Wholesale (an MAI member) explained that consumers weren't moving into new homes and therefore were more interested in refurbishing their current homes or apartments with this low-cost furniture.

Hardware and automotive are the two key hard line categories not yet fully exploited by

catalogers, particularly operators of large showrooms that have the space.

Paul Schultz Catalogs, for example, will offer a hardware and automotive section as an optional area for members that run larger showrooms. Sam Solomon (MAI), Best (Creative) and Service Merchandise (independent) are among a number of catalogers that have expanded their hardware and automotive mix, including offering such low-price, not-in-catalog items as replacement pellets for glue guns.

As for the shifts of members, about two dozen former Dahnken operators have formed the Dahnken Catalog Association and will be using a modified version of the American Merchandisers book as their 1980-81 catalog.

Switch Allegiance

The two former Dahnken members that had units in Hanover, Pa., and Rochester, N.Y., have joined American. Four members that had units in San Pedro, Ventura, Oxnard and Napa, Calif., have signed on with George Associates while the member in San Carlos, Calif., has affiliated with Paul Schultz.

A few other ex-Dahnken members are still considering their move, and about a dozen have decided to leave the catalog showroom business.

Other major switches include Towers going to Creative from Jewelcor while MAI picked up MacDonald from Jewelcor and Wilkor Jewelers from the Charter group.

Jewelcor, besides publishing

a modified version of its basic book for the Associated Catalog Merchandisers group, picked up Brand Distributors from American while Charter added Sam Gold from American.

Flagg's Distributing, formerly a Paul Schultz member, joined George Associates as did Bingham's, which had opened its first showroom in Salt Lake City.

Paul Schultz added Lady Lee Wholesale, formerly an Associated Catalog Merchandisers member, and Marketplace of Alaska, which has opened its first unit in Anchorage. In a one-year test, Schultz has provided some nonjewelry pages to Sterling Jewelry as well as its regular membership services.

One coordinator executive explained that it can take a cataloger as long as 18 months to sell off the items used by one group when the operator switches to another coordinator. He added that this consideration has become a factor for showroom operators, especially in view of the uncertain economy and the high interest rates they have to pay for the dollars tied up in inventory.

Another coordinator executive asserted that most groups offer similar membership services so that a cataloger has to have a compelling reason to switch, such as opening larger showrooms and wanting a book that will support the anticipated greater volume.

Biggies

(Continued from page 39)

job of integrating another company into your own operation is expensive and time consuming; the takeover could result in lower profits. You probably would have been better off opening your own units."

A David Weis executive added: "Because of the cost of money and debt-service expenses, there aren't that many catalogers available that are making enough to justify their being acquired."

Agreeing, a Modern Merchandising spokesman explained that cataloger stocks are depressed because of the market. Therefore, "you would have to use cash, but money costs too much. I don't see any acquisitions unless you could buy someone at only two or three times earnings."

The top 36 chains had 770 units at the start of 1980; DSN estimates 117 more will be added this year, a 15.2% gain to 887 units. Another 117 units are the minimum projection for 1981.

Service Merchandise, No. 1 in units, plans to gain 14 showrooms; last year it added 18. Best sees 13 new units, the same as in 1979, while Modern Merchandising will gain seven, half of last year's increase.

H. J. Wilson is eying nine new showrooms on top of nine openings in 1979, while Ardan added 14 last year and could open 14 to 20 this year.

Consumers Distributing plans to add at least 13 and could hit 25; last year it opened 17.

Other catalogers poised for major growth include Century House and Masters Merchandising Mart, each with seven debuts projected.

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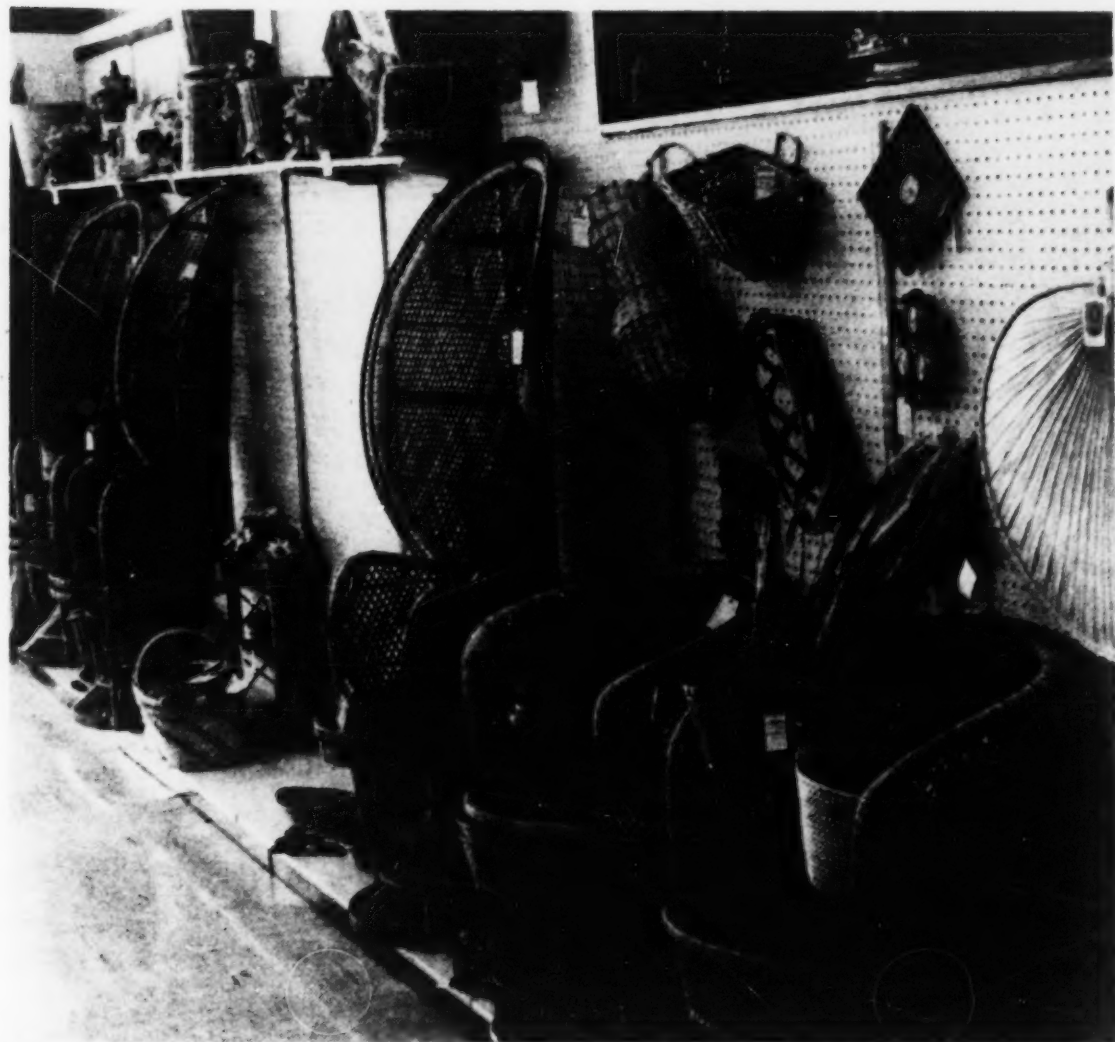
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Wicker chairs are shown on a display wall just inside the front door, one of the new merchandising techniques adopted by the first Maxway, which opened in Sandersville, Ga. (DSN photo)

1st Maxway Unites Rural Tradeup With Various Chains' Approaches

SANDERSVILLE, Ga.—The new Maxway discount department store here looks a little like Wal-Mart, a little like Target and a lot like Jamesway—with just a hint of a variety store thrown in.

Maxway, a new venture of Macks variety stores (headquartered in Sanford, N.C.), isn't an imitation of any of those chains; in fact, Jamesway was never visited during the planning process. It is a synthesis of Wal-Mart's successful small-town basics approach and Target's equally successful suburban upscale approach, designed to bring upscale merchandise (microwave ovens, air-condi-

tioners, wicker home furnishings, Arrow men's shirts, ladies' Levi's) into small population centers where Maxway can be the only store in town—or at least, the most complete store in town.

Rural and small-town basics (work clothing, a full garden shop, heavy duty garden machinery, guns, pickup truck accessories) are an important part of the mix. Feature tables and aisles also play a major role.

The variety store heritage is also evident. The Sandersville unit replaces an 11,000-sq.-ft. Macks store in the same strip (Continued on page 6)

Discounters Respond to Carter, Scrutinize Credit-Card Setups

WASHINGTON—Discounters are scrutinizing their credit card programs in response to President Carter's recent call for tighter controls on consumer credit.

"Our attorneys are currently studying the usury law requirements in each of the states where we have stores," said Richard Baum, Woolco's director of retail credit. "At the same time, we are studying our computer needs to learn how long it will take us to implement any changes."

However, he noted: "Our efforts today are to have our customers pay by cash." The credit director added that Woolco's policy is to first emphasize cash payment, then promote its layaway program and after that its credit.

Only 10% of Woolco's sales are derived from credit card purchases, according to Baum.

While most discounters' reactions were supportive of the President, those who would be making credit program changes said they would wait until the guidelines were more clearly defined before making any moves.

At T.G. & Y., Harold Plunk, senior vice president of administration, told *Discount Store News*: "We don't have our own credit program and bank cards make up a small percentage of our sales. We do not anticipate any negative impact due to credit restraints."

Still, Plunk said, he found it "encouraging to have the President take a positive approach to

economic conditions."

A spokesman at the National Mass Retailing Institute reported that it was too soon after the President's talk to get a consensus of what member chains would be doing to comply.

At the Association of General Merchandise Chains, president Edward T. Borda pointed out that most of the association's members do not have extensive

credit programs. He agreed with those discounters who said they were waiting to learn the details of the Administration's new program before deciding what steps to take.

Jack Shewmaker, president of Wal-Mart, noted that "the effect on our business won't be great because we don't have our own credit program."

(Continued on page 5)

Kossar Ousted at Vornado; Karch Seen as Successor

GARFIELD, N.J.—Frederick Zissu, chairman of the board and ceo of Vornado, has ousted Bernard Kossar as president and chief operating officer.

At presstime, Seymour Karch, the retired president of Modell's Shopper's World, was the successor reportedly tapped by Zissu to oversee operation of the company's financially troubled Two Guys chain.

(While the price of Vornado stock did not drop significantly at the time of the announcement, its shares had been given a C rating by Standard and Poor's, and the word circulating among analysts was "not to buy," according to one Bache, Halsey broker.)

The decision to replace Kossar, who was president for just 16 months, comes at a time when the 60-unit Two Guys chain is facing a takeover battle

with Interstate Properties, a privately held real estate firm with a 17% interest in the New Jersey-based operation.

Kossar's seat on the board of directors is one of three seats to be filled at this year's stockholders meeting.

Prior to last year's annual meeting, Interstate announced its intention to gain control of the board and then to sell off all or most of the Two Guys stores located outside of New Jersey. Cash from those sales, Interstate spokesmen said, would be distributed among the stockholders, as well as used to shore up Vornado's remaining operations.

A fierce proxy battle followed that announcement and Interstate successfully unseated three Vornado-backed board members at the annual meeting (Continued on page 7)

Fed-Mart's Gundlach Plans Changes; 2nd Qtr. Better

Discount Store News published an analysis of the operations of FedMart in a recent issue, focusing on its problems in nonfood merchandising, personnel management and profitability. In this followup article, DSN's Los Angeles bureau chief gets the response from FedMart president Heinz Gundlach.

By Susan Warner

SAN DIEGO—"In retrospect," Heinz Gundlach, FedMart president, said, he should have "more strongly advised against the purchase" of what he now calls "the ugly duckling" chain.

Gundlach and principal shareholder Hugo Mann both recognized when FedMart was purchased that turning the operation around was going to be a tough job.

"We realized we had not bought the greatest retail company on earth," Gundlach said. What they didn't know until after the purchase was that FedMart was in far worse shape than they had imagined.

"Every corner we looked into

was a disaster," Gundlach recalled. In fact, out of sheer frustration in late 1976 he and Mann evaluated whether to sell FedMart, liquidate it, merge it into a larger operation or acquire smaller chains.

Despite FedMart's rocky four-year history since its purchase in 1975, Gundlach is now more convinced than ever that "the ugly duckling" can be transformed into a retail swan.

This renewed optimism stems from a variety of factors:

- Second-quarter figures show a marked improvement over first-quarter results.
- Warehousing, especially for apparel, is now recognized as a necessity. (This is a departure

(Continued on page 82)



FedMart's apparel departments—shown here in the Kearney Mesa, Calif., store—produce approximately 11% of store volume, 20% where section was enlarged. (DSN photo)

Alleged by Paper

Jamesway Denies Employees Shook Down Pilferers

SECAUCUS, N.J.—Jamesway officials denied published allegations that any of its security personnel improperly pressured suspected shoplifters into repaying the chain large amounts of money.

The Trenton, N.J., *Times*, in a copyrighted article, accused Jamesway of extorting inflated sums from shoplifting suspects and allegedly dishonest employees. The newspaper identified Eric Zorn, Jamesway's vice president for security, as the guiding force in a program of intimidation of suspects to force them to sign false confessions.

Jamesway chairman Herbert Fisher replied that the chain "does not condone or practice extortion; it merely seeks to recoup losses suffered from actual theft."

(Continued on page 7)

Added to Top Management Compensation Packages in Last 2 Years

Dental Insurance, Pension Plans Perk Up Brass' Perks

NEW YORK—Dental insurance and pension plans were among the most popular non-salary benefits added to top management compensation packages during the last two years, according to the recent (biennial) report on Executive Perquisites issued by the National Mass Retailing Institute.

Twenty per cent of all discount chains responding to the NMRI's perquisite census (three-quarters of its membership) said they had made pension plans available to their

president and ceo's since 1977. Eighty-seven per cent of the responding chains now offer their top managers pension plan benefits.

Thirty-five per cent of the responding chains now offer their top people dental insurance compared to 19% in 1977.

The other most-often added perquisites involved the use of a company car and travel allowances.

Eighty-four per cent of the responding chains are now making company cars available

to their top executives for business purposes, a 13-percent-age-point increase, while 62% of the companies loan cars to their presidents and ceo's for their personal use.

When it came to travel, the number of chains allowing their top people to travel first class more than doubled to 37%, and the number of companies extending company credit cards to traveling execs rose to 73%, up from 55% in 1977.

As the report points out, "the turmoil in the economy seemed to have little effect upon the perquisites given [top] retailing employees."

Lower echelon field managers, however, did not fare as well. In 50% of the perquisite categories listed, chains reported cutting back on the non-salary compensation they once offered.

While half the chains polled in 1977 said they paid the medical coverage for the family of regional and other field managers, only 45% of discount chains were doing so in 1979.

Only 18% of responding discount operations now offer their top regional and field managers stock options, down from 39% in 1977. Also reduced

was the number of chains reimbursing their field managers for tuition expenses: 27% in 1979, compared to 33% in 1977.

The areas in which field managers were able to add to their compensation were similar to those offered their top-ranking bosses: Pension plan coverage increased from 64% to 78% of the chains.

Dental coverage also improved. Thirty-one per cent of the responding discounters—as opposed to 10% in 1977—now offer field managers dental insurance.

Also on the increase was the number of companies putting cars at the disposal of managers in this group. Sixty-two per cent of the discount chains loan cars for company business (up from 48%) and 21% loan cars for personal use (up from 17%).

Other management groups cited—company officials, senior, general, merchandising and store managers—were able to hold onto most of 1977's compensation gains while earning new benefits in 1977.

Copies of the study are available for \$25 to members and \$35 to nonmembers from the NMRI, 570 Seventh Ave., New York, N.Y. 10018.

DSN's Parent Opens L.A. News Bureau

LOS ANGELES—Lebhar-Friedman Inc., parent corporation of *Discount Store News*, has opened a news bureau here servicing its several business publications.

Bureau manager and DSN's West Coast reporter is Susan

Warner, a graduate of the Newhouse School of Journalism at Syracuse University. Warner started with another Lebhar-Friedman publication, *Chain Store Age* magazine, Executive edition, in 1978 as an associate editor. Prior to that, she had worked as a reporter and photo editor for daily newspapers in Connecticut.

The news bureau is located at 606 North Larchmont Blvd., and the telephone number is 213-464-8321.



Susan Warner
Bureau Mgr., Los Angeles

Wal-Mart Leaps Over \$1 Billion

BENTONVILLE, Ark.—Wal-Mart crossed the billion-dollar mark in fiscal 1979, finishing the year on Jan. 31 with \$1,248,176,000 in sales, a 39% gain over the previous year.

Net income rose 40% to \$41,151,000, and earnings per share rose from \$1.93 to \$2.68.

Andy Rooney to Speak at NMRI Parley Kickoff

NEW YORK—The National Mass Retailing Institute will hold its annual convention in New Orleans May 10-14.

Kicking off the four days of events will be a banquet on Saturday evening, May 10. Andy Rooney of CBS' "60 Minutes" will be the featured speaker. Earlier that day, at the Sports Luncheon, Willie Mays will be the guest speaker.

On Sunday, May 11, Howard Jarvis and Morley Safer will keynote a general session on "Taxes and Tax Relief." Richard I. Hersch, president of the NMRI will moderate.

Jazzman Pete Fountain and the Olympia Marching Band will be the banquet headliners on Tuesday evening May 13.

Other feature events on the calendar (rooms to be an-

nounced later) include:

Monday, May 12 (9:00 to 10:30 a.m.) Howard Davidowitz of the accounting firm of Ernst & Whinney will address a general session on "The 80's, a Time of Change: What's Happening in Retailing Today will Affect Your Bottom Line Tomorrow."

Monday, May 12 (10:45 a.m. to noon): "Optimizing the Buyer's Time: Making a Buyer More Effective."

Speakers: Arlie Lazarus, Jamesway; Steven Goldberger, Hills; Richard Schott, Merchants Buying Syndicate, and George Jeffers, Cook United.

Monday, May 12 (10:45 a.m. to noon): "Energy Sources/Fighting Energy Costs."

Speakers: Edmund M. Peck, consulting engineer for T.G. & Y.; Department of

Energy speaker (to be announced).

Monday, May 12 (10:45 to noon): "Combo Stores."

Speakers: Allen Bud Levis, Allen Levis Organization Inc.; Vince Vayda (moderator), American Greetings.

Monday, May 12 (3:45 p.m. to 5:00 p.m.): "New Developments in Replenishment Methods—Soft and Hard lines."

Speakers: Malcolm Sherman, Zayre; Lewis Busico, Clover, and James Hyman, Bradlees.

Monday, May 12 (3:45 p.m. to 5:00 p.m.): "Shrinkage Control and Security in the Mass Merchandising Industry."

Speakers: Errol Cook, Arthur Young & Co.; Eric Zorn (moderator), Jamesway.

(Continued on page 63)

In This Issue...

ANNUAL REPORT. DSN's exclusive Product Movement Audits wrap up the results for 1979. The top-moving products in key merchandise categories are tracked and the significance of purchasing trends is explored.

AUTOMOTIVE. The basics in this category will have to carry the load for discounters in 1980 as the sales of dress-up accessories slumped last year, a development expected to continue this year. (P. 35)

ELECTRIC HOUSEWARES. Practicality will be the key as consumers defer nonessential purchases in 1980. (P. 26)

H&BA. Bar soaps developed into a major dollar producer for discounters last year with deodorants also showing good gains. These products, with home permanents, promise to do well in 1980. (P. 64)

HARDWARE. To no one's surprise, home improvements, especially energy savers, were the hot products and will be for the foreseeable future. (P. 44)

HOUSEWARES. Novelty value, especially coupled with fashion, fueled this category in 1979. Unlike many other departments, trade-up products look strong here. (P. 18)

SPORTING GOODS. Family activities, lawn games, fishing, camping and similar pursuits, will continue to lead. (P. 66)

TOYS. Play value will be the key to merchandising toys. Consumers in 1979 showed they want that attribute in toys, whether low-ticket basics or expensive electronics. (P. 60)

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Spotlight on: Up-and-Coming Category

More Discounters Carry Luggage

Discounters are increasingly adding luggage to their merchandise mix and often using platforms to achieve the effect of this display at Caldor, White Plains, N.Y.

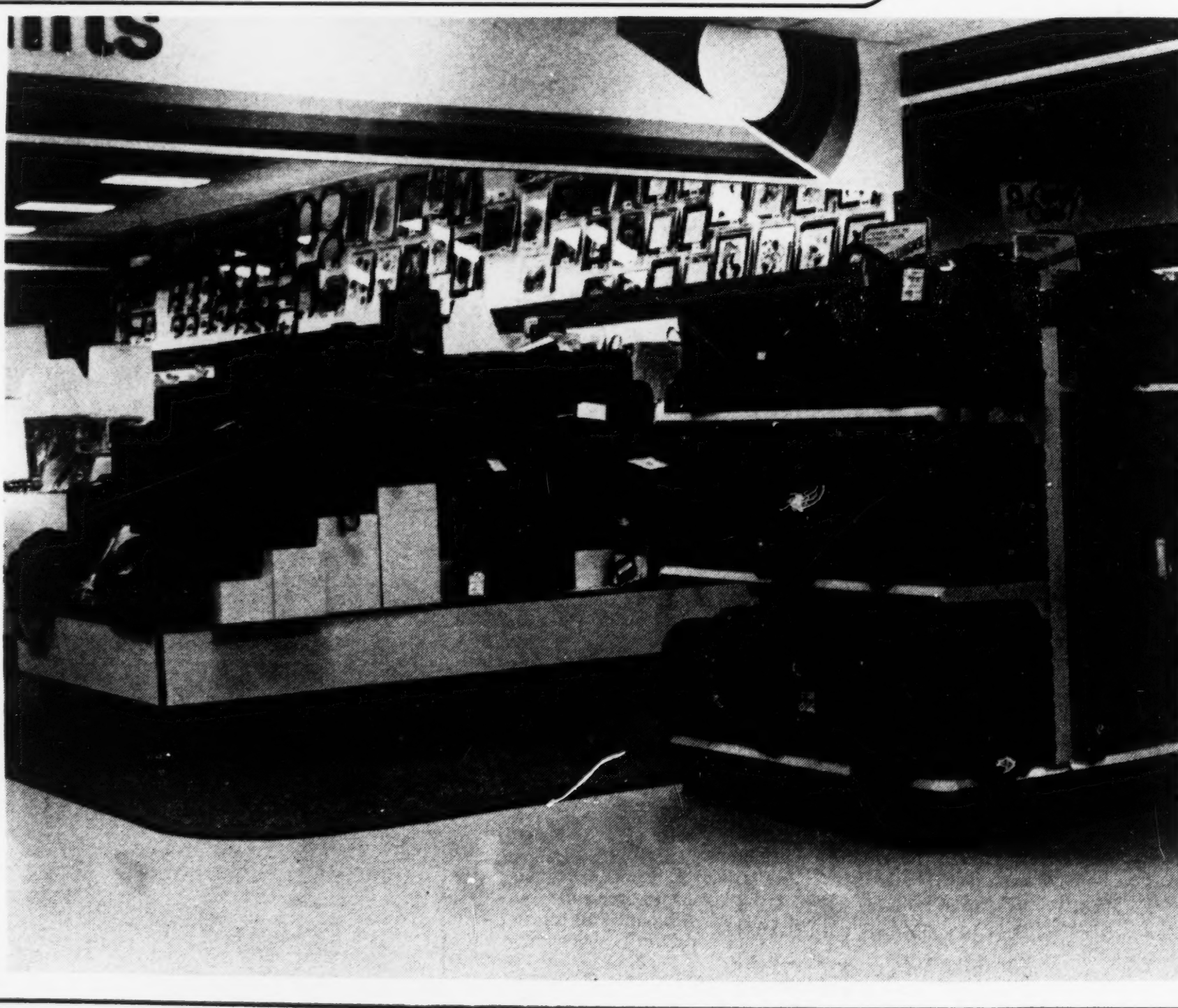
Caldor gives luggage up-front prime real estate between photo and giftware. Other chains merchandise luggage with sporting goods or set it off from other hard goods.

Luggage offers high-margin, high-ticket sales, and smaller carry-on bags can turn fast. They are getting more space at the expense of three-, four- and five-piece sets.

In luggage, discounters are able to stand behind national brands (such as Samsonite and American Tourister), a luxury they don't enjoy in apparel.

Luggage, not surprisingly, appears to have the best acceptance by chains in metropolitan areas.

(DSN photo)



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